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No. 08-1501

In the Supreme Court of the United States

LEWIS FERGUSON, ET AL., PETITIONERS

v.

UNITED STATES PATENT AND TRADEMARK OFFICE

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF FOR THE RESPONDENT

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QUESTION PRESENTED

Whether petitioners' claimed method and "paradigm" for marketing software products are eligible for federal patent protection.

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OPINIONS BELOW

The opinion of the court of appeals (Pet. App. 1-19) is reported at 558 F.3d 1359. The opinions of the Board of Patent Appeals and Interferences (C.A. App. 1-27, C.A. App. 30-64; Pet. App. 20-26) are unreported.

JURISDICTION

The judgment of the court of appeals was entered on March 6, 2009. The petition for a writ of certiorari was filed on June 2, 2009. The jurisdiction of this Court is invoked under 28 U.S.C. 1254(1).

STATEMENT

This case arises from a decision of the United States Patent and Trademark Office (PTO) rejecting all claims in petitioners' patent application, Serial No. 09/387,823, for lack of patentable subject matter under 35 U.S.C.

101. Pet. App. 1. The court of appeals affirmed. *Id.* at 1-14.

1. The Patent Clause of the Constitution empowers Congress "[t]o promote the Progress of Science and useful Arts, by securing for limited Times to * * * Inventors the exclusive Right to their * * * Discoveries." U.S. Const. Art. 1, § 8, Cl. 8. Congress exercised that authority in enacting the Patent Act, 35 U.S.C. 1 *et seq.* Section 101 of the Act identifies the types of inventions that are eligible for patent protection:

> Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

35 U.S.C. 101.

Although this provision is broad in scope, see *Diamond* v. *Chakrabarty*, 447 U.S. 303, 308 (1980), it imposes several limitations on the subject matter eligible for federal patent protection. *Id.* at 309. "[N]o patent is available for a discovery, however useful, novel, and nonobvious, unless it falls within one of the express categories of patentable subject matter of 35 U.S.C. § 101." *Kewanee Oil Co.* v. *Bicron Corp.*, 416 U.S. 470, 483 (1974). By "bring[ing] certain types of invention and discovery within the scope of patentability while excluding others," the Patent Act "seeks to avoid the dangers of overprotection just as surely as it seeks to avoid the diminished incentive to invent that underprotection can threaten." *Laboratory Corp. of Am. Holdings* v. *Metabolite Labs., Inc.*, 548 U.S. 124, 127 (2006) (Breyer, J., dissenting from dismissal of writ of certiorari).

2. Petitioners' patent application, entitled "A New Paradigm For Bringing New Products To Market," C.A. Supp. App. A401, seeks to patent a business plan in which a dedicated marketing company sells products, such as software, on behalf of other companies in exchange for a share of the profits. The application sets forth 68 claims, including both method claims and claims directed to what petitioners call a "paradigm." Pet. App. 2. Claim 1, which the court of appeals identified as representative of petitioners' method claims, seeks patent protection for the following "method":

> A method of marketing a product, comprising:
>
> developing a shared marketing force, said shared marketing force including at least marketing channels, which enable marketing a number of related products;
>
> using said shared marketing force to market a plurality of different products that are made by a plurality of different autonomous producing compan[ies], so that different autonomous companies, having different ownerships, respectively produce said related products;
>
> obtaining a share of total profits from each of said plurality of different autonomous producing companies in return for said using; and obtaining an exclusive right to market each of said plurality of products in return for said using.

Id. at 2-3.

Claim 24, representative of petitioners' "paradigm" claims, seeks patent protection for the following "paradigm":

> A paradigm for marketing software, comprising:
>
> a marketing company that markets software from a plurality of different independent and autonomous software companies, and carries out and pays for operations associated with marketing of software for all of said different independent and autonomous software companies, in return for a contingent share of a total income stream from marketing of the software from all of said software companies, while allowing all of said software companies to retain their autonomy.

Pet. App. 3.

3. The PTO examiner rejected all 68 claims on a variety of grounds, including for lack of novelty and for obviousness. Pet. App. 3. The PTO's Board of Patent Appeals and Interferences (Board) vacated the examiner's decision and entered a new rejection under 35 U.S.C. 101 for lack of patentable subject matter. Pet. App. 3-4; see C.A. App. 1-27.

On petitioners' request for rehearing, the Board issued a new rejection under Section 101, elaborating upon and clarifying its earlier conclusions. Pet. App. 4; see C.A. App. 30-64. The Board explained that, although it considered petitioners' method claims to be nominally directed to statutory subject matter (*i.e.*, a "process"), the claims were not eligible for patent protection because they "only relate to humans buying and selling products and rights and entering into agreements for such buying and selling." *Id.* at 36. In addition, the Board held, the method claims were directed to the "ab-

stract idea" of shared marketing, and those claims would impermissibly preempt any application of that idea by others. *Id.* at 38. The Board likewise rejected petitioners' "paradigm" claims, emphasizing that a "paradigm" is an unpatentable abstraction rather than a process, machine, manufacture, or composition of matter eligible for protection under Section 101. Pet. App. 5; C.A. App. 34. Petitioners filed another request for rehearing, but the Board declined to modify its decision. Pet. App. 5; see *id.* at 20-26 (Board opinion).

4. The court of appeals affirmed. Pet. App. 1-19. With respect to petitioners' method claims, the court concluded that its recent decision in *In re Bilski*, 545 F.3d 943 (Fed. Cir. 2008) (en banc), cert. granted, 129 S. Ct. 2735 (2009) (*Bilski*), was "dispositive." Pet. App. 7-8. The court explained that, under *Bilski*, a method or process is patentable only if it "is tied to a particular machine or apparatus" or "transforms a particular article into a different state or thing." *Id.* at 8 (quoting *Bilski*, 545 F.3d at 954). The court of appeals further explained that petitioners' method claims are unpatentable because they "fail to meet either prong of the machine-or-transformation test." *Id.* at 9. The court observed that "[a] marketing force is not a machine or apparatus," *id.* at 8, and that nothing is transformed by the claimed methods other than intangible "business or legal relationships," *id.* at 9 (citing *Bilski*, 545 F.3d at 963). The court also rejected petitioners' proposed alternative test for patentability—whether the claimed subject matter "has more than a scintilla of interaction with the real world in a specific way," *id.* at 10—on the ground that the test is both unclear and inconsistent with prior decisions of this Court and the court of appeals. *Id.* at 11.

The court of appeals also affirmed the Board's conclusion that petitioners' "paradigm" claims fall outside the enumerated categories of patent-eligible subject matter. Pet. App. 12-13. In particular, the court rejected petitioners' argument that a software marketing company "is a physical thing, and as such analogous to a machine." *Id.* at 13. The court concluded that "[a]pplicants' paradigm claims are drawn quite literally to the 'paradigmatic "abstract idea,"'" *id.* at 14 (quoting *In re Warmerdam*, 33 F.3d 1354, 1360 (Fed. Cir. 1994)), and are consequently ineligible for patent protection.

Judge Newman concurred in the judgment. Pet. App. 15-19. She would have held that petitioners' claims were properly rejected by the PTO examiner as obvious under 35 U.S.C. 103. Pet. App. 19.

DISCUSSION

In affirming the decision of the PTO's Board of Patent Appeals and Interferences that petitioners' claimed invention—in effect, a business plan for marketing software products—is not eligible for patent protection under 35 U.S.C. 101, the court of appeals relied on its decision in *In re Bilski*, 545 F.3d 943 (Fed. Cir. 2008) (en banc). This Court recently granted a petition for a writ of certiorari to review the Federal Circuit's decision in *Bilski*. See *Bilski*, cert. granted, 129 S. Ct. 2735 (2009) (No. 08-964). The petitioners in *Bilski* contend that the Federal Circuit erred in holding that a claimed "process" must be "tied to a particular machine or apparatus, or transform an article into a different state or thing," in order to be eligible for patent protection under Section 101. Pet. at i, *Bilski*, *supra* (No. 08-964).

Because petitioners here likewise challenge the propriety of the Federal Circuit's "machine-or-transforma-

tion" test for patentability, particularly as it applies to business methods, the Court's decision in *Bilski* may shed light on the proper resolution of this case. The Court should therefore hold the petition pending its disposition of *Bilski*.*

CONCLUSION

The petition for a writ of certiorari should be held pending the Court's decision in *Bilski* v. *Doll*, No. 08-964, and then disposed of as appropriate in light of the Court's decision in that case.

Respectfully submitted.

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* The PTO also rejected petitioners' claims on the alternative ground that all of those claims were directed to an unpatentable abstract idea. C.A. App. 38; see Pet. App. 22. The court of appeals did not address that ground for rejecting petitioners' claims. If the Court ultimately determines that this case should be remanded to the court of appeals for further proceedings in light of the Court's decision in *Bilski*, the court of appeals could consider that issue on remand.